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## Agents try auctions to move property

By Michael Wright



Rampant building during the heady days at the start of this century and the recent collapse of the mortgage and finance industries has left a glut of inventory in the East End real estate sales market and brought a sudden decline in the number of house hunters.

Some who built in the hope of a quick sale, and others who suddenly find themselves in need of unloading a large asset, are facing a potentially desperate situation.

Do desperate times call for desperate measures?

Perhaps. But as sales have fallen off over the past year, many real estate agents have sung a familiar tune: There are eager buyers, with deep pockets, in the East End real estate market—if the price is right.

Many experienced real estate agents have complained in recent months that the sellers they are brokering for are stuck in the past, when home values climbed 20 percent a year. Those days are clearly over, at least for the time being, and selling a house now means finding the price that buyers will bite at.

Identifying that “right” price can be difficult though.

Two local brokers think that the trick might just be a matter of letting buyers, or bidders, set the going rate. Start at an absolute minimum and see how high the bidding goes.

“I did seven deals in December all because I convinced the sellers to bring their prices down to a level that I knew they would sell at,” says Enzo Morabito, one of two Prudential Douglas Elliman brokers who are organizing a house auction—not of houses in foreclosure, just ones that need to get sold soon.

Rather than merely trying to convince all their clients that they need to lower their prices, Mr. Morabito and fellow Prudential vice president Vince Horcasitas are out looking specifically for those motivated sellers who don’t need convincing—they just need buyers.

Mr. Morabito and Mr. Horcasitas think that putting properties that must sell on the auction block, selling to the highest bidder, will naturally bring that “right” price for a given property.

The pair is compiling a small collection of properties owned by people who need to sell sooner, rather than later and will put them up for auction sometime in February. “There’s inventory out there that people can’t sell at the 2006, 2007 prices that we think there will be buyers for at some price,” Mr. Morabito said. “If they have a \$3 million loan they payments may be \$14,000 to \$20,000 a month. That’s \$300,000 a year. Time is really of the essence in some cases.

“I’ve told people if they can wait two years, don’t sell, but if they can’t they need to do something,” he said. “We’re doing something.”

Thus far, the two brokers have five listings for the auction—to be held in February—all houses that were at one point on the market for between \$2 million and \$5 million, Mr. Morabito said. The homeowners have agreed to sell for whatever price is brought at auction—above a reserve, or minimum price, agreed to by the brokers and the owner.

“If they’re not willing to go to what we know we can get, we’re not going to take it,” Mr. Morabito said. “The attempt here is to get rid of inventory and get whoever owns it out of the hole. If they owe the bank \$2 [million] and we can sell it for \$2.5 million, they have some equity in there.”

Mr. Morabito recalls the days of “fire sale” auctions in the 1980s, which gave him his start in the East End real estate business, when builders were losing their shirts on houses suddenly worth a fraction of what they cost to build. He says he hopes the current market will not get to that point, but that many builders are looking to at least break even.

Three of the houses on the auction block were built on speculation. Mr. Horcasitas and Mr. Morabito declined to identify any of the would-be sellers, but did agree to ask the sellers if they would comment anonymously. None accepted the offer.

As part of the effort to make the auctions work for their sellers with a lot on the line, the brokers say they have even negotiated potential short sales with creditors if the auctions don’t bring more than is owed on the property. Mr. Horcasitas said that the banks have expressed strong willingness to negotiate if it means recouping a substantial majority of a large loan immediately rather than risking the potential need for foreclosure.

“It’s a positive thing for them to have it off their books,” Mr. Horcasitas said. “If a builder owes \$2.5 million and we can get them \$2 million and save them having to foreclose or wait months and months to get their money, if they get it—the fear being that things may be even lower in six months—they’re usually pretty eager to take the \$2 million.”

With exactly such urgency behind at least some of the properties to be auctioned, the brokers expect close to bargain basement prices for once premium acreage. Mr. Horcasitas said that among the five properties already in line for auction is a 6,500-square-foot house south of the highway in Bridgehampton that will have a starting bid of half what the owner was asking two years ago.

The brokers said their commission will be tacked on to the buyer’s price, not taken from the high bid to the seller.

The first auction will take place in late February in Bridgehampton Mr. Morabito said. If all goes well, the pair say they would look to organize another auction soon and think there is potential to hold one each month if the market doesn’t turn around in the immediate future.

“There’s a lot of people that are hurting out there,” Mr. Horcasitas said. “We think we can help.”

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